



ARIZONA CORPORATION COMMISSION

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Commission Fines Fountain Hills Company for Unregistered Investment Sales *Sanctions Others for Securities Fraud and Revokes Registration of Fountain Hills Broker*

PHOENIX, AZ—The Arizona Corporation Commission today fined a Fountain Hills limited liability company for its unregistered investment sales in connection with a residential real estate development. Also, the Commissioners sanctioned multiple individuals and their affiliated companies for committing securities fraud and revoked a Fountain Hills stockbroker's registration for making unsuitable investments with a couple's retirement funds.

Promise Land Properties, LLC

The Commission issued a default order against Promise Land Properties, LLC, requiring the payment of \$958,000 in restitution and a \$25,000 administrative penalty for offering and selling unregistered securities in connection with a residential real estate development. The Commission found that Promise Land Properties—a manager-controlled, Arizona limited liability company based in Fountain Hills—was not registered to offer or sell securities in Arizona when it offered and sold LLC membership interests to six investors in order to fund the acquisition and development of 1,280 acres near Tombstone, Arizona. The Commission found that the Promise Land Properties' manager met potential investors through a network of acquaintances, including individuals from Arizona, Nebraska and Minnesota. Additionally, the Commission found that an institutional lender eventually foreclosed on the Tombstone real estate development project.

Patrick B. Hammons, et al.

In a separate case, the Commission ordered Patrick B. Hammons of Mesa and his affiliated companies to pay \$174,000 in restitution and a \$20,000 administrative penalty for committing securities fraud and transacting business as an investment adviser without a license. The Commission found that Hammons and the company he managed, Pacific Ventures & Trading, LLC, fraudulently offered and sold unregistered LLC membership interests to investors. The Commission found that Hammons failed to use investor funds as promised and to disclose aspects of the payments made by Pacific Ventures & Trading to another company Hammons managed, TF6 Advisors, LLC. The Commission found that Hammons and TF6 Advisors violated the Arizona Investment Management Act by providing investment advice for a fee without being licensed. Additionally, the Commission found that Hammons and TF6 Advisors committed fraud in connection with their investment advisory services by failing to do the following: use investor money as promised, follow required auditing procedures while having control over client funds, act in the best interests of their client, accurately disclose the compensation structure of TF6 Advisors, and by misrepresenting the market value of the assets of TF6 Advisors. In settling this matter, Hammons and his companies neither confirmed nor denied the Commission's findings, but agreed to the entry of the consent order.

Morrie S. Friedman, et al.

In another matter, the Commission ordered Morrie S. Friedman of Scottsdale to pay \$79,625 in restitution and a \$5,000 administrative penalty for fraudulently offering and selling unregistered stock shares to investors. The Commission found that, while not registered to offer or sell securities in Arizona, Friedman offered and sold unregistered stock in connection with two companies, Beyond Juice, Inc. and VIP* ComLink, Inc. The Commission found that Friedman told the Beyond Juice investors that the company stock would soon be going public, resulting in an increase in stock value, but had no factual basis for the prediction. To date, Beyond Juice has yet to become a publicly traded company. Also, the Commission found that Friedman failed to provide stock certificates to a VIP* ComLink investor and to disclose the prior legal actions taken against him in regards to Beyond Juice. In settling this matter, Friedman neither confirmed nor denied the Commission's findings, but agreed to the entry of the consent order.

Donna Kay Beers

Finally, the Commission revoked the securities registration of Fountain Hills resident Donna Kay Beers for her dishonest and unethical conduct, requiring the payment of \$86,815 in restitution and a \$15,000 administrative penalty. The Commission found that Beers, who was also a former investment adviser representative, recommended unsuitable investments for a senior couple who was searching for a safe and prudent way to invest their retirement funds. The Commission found that Beers recommended the couple sell their well-known stock holdings such as Wal-Mart and Costco and invest the proceeds plus additional cash into multiple private placement investments and direct participation programs, which were risky and illiquid. The Commission found that one of the investments, Fountain Hills Town Square, LLC, involved a 12.67 acre real estate development in which Beers had an undisclosed financial interest. The Commission found that, despite knowing the real estate project had difficulty obtaining financing, Beers touted the investment as good and safe and pressured her clients to invest. In settling this matter, Beers neither confirmed nor denied the Commission's findings, but agreed to the entry of the consent order.

More caution for investors:

Even when selling a legitimate product, some promoters do not recognize the investment program they have created is a security. Determining whether an alternative investment program is a security is not always easy to determine and depends upon the unique facts and circumstances of the transaction and not on what a promoter calls the investment product. Even when investing with someone they know, investors should verify the registration of sellers and investment opportunities and investigate disciplinary histories by contacting the Arizona Corporation Commission's Securities Division at 602-542-4242 or toll free in Arizona at 1-866-VERIFY-9. The Division's investor education website also has helpful information at www.azinvestor.gov.

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